UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
---X
FRAGRANCENET.COM, INC.,

Plaintiff,

- against -

FRAGRANCEX.COM, INC.,

Defendant.
---X

ORDER

CV 06-2225 (JFB) (AKT)

A. KATHLEEN TOMLINSON, Magistrate Judge:

I. PRELIMINARY STATEMENT

By letter motion, Defendant moves for an order bifurcating discovery in this matter into liability and damages phases [DE 44]. Defendants argue that discovery should be bifurcated because a "determination of no liability is substantial" and "discovery on damages will be extensive and require the disclosure of competitively sensitive information to counsel for a competitor." *Id.* Plaintiff argues that this case is neither so distinct nor so complex as to require bifurcation. Plaintiff further notes that Defendant's arguments in support its motion are solely premised upon "its lawyer's prediction regarding who will win" this case [DE 46].

For the following reasons, Defendant's motion to bifurcate discovery is hereby DENIED.

II. BACKGROUND

The parties to this copyright infringement action are two online retail stores that sell perfume and related products. Second Am. Compl. ¶ 1. FragranceNet.com's online retail store is located at www.fragrancenet.com. *Id.* at ¶ 11. FragranceX.com's online store is located at www.fragranceX.com. *Id.* at ¶ 17. Plaintiff alleges that "at some time prior to August 1, 2005," FragranceX.com misappropriated and copied more than 900 photographs from FragranceNet.com's

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website without permission or compensation and used copies of them on its own website. *Id.* at ¶¶ 2, 17. FragranceNet.com alleges that it registered its rights to these photographs by duly filing them with the United States Copyright Office. *Id.* at ¶ 17. Annexed as "Exhibit A" to the Plaintiff's Complaint are copies of the Copyright Office's registration certificates for certain photographs. *See id.* at Exh. A. Plaintiff alleges that Defendant's use of these photographs is unlawful and in violation of its exclusive copyrights under 17 U.S.C. § 104(a) and 106 and that such use constitutes copyright infringement under 17 U.S.C. § 501. *Id.* at ¶ 23. Plaintiff seeks monetary damages and equitable relief arising from Defendant's purported willful and contributory infringement of its copyrights. *Id.* at ¶¶ 24-27.

III. STANDARD OF REVIEW

At the outset, I note that Defendant's motion is somewhat unusual from a procedural standpoint. Typically, parties move to bifurcate the liability and damages phases of trial, and, if granted, a stay of discovery is imposed on the damages issue. However, here Defendants move to bifurcate discovery only. Fed. R. Civ. P. 42(b) provides

> [t]he court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim, cross-claim, counterclaim, or third-party claim, **or of any separate issue** or of any number of claims, cross-claims, counterclaims, third-party claims, or issues, always preserving inviolate the right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States.

Fed. R. Civ. P. 42(b) (emphasis supplied). Courts have found that implicit in Rule 42(b) is the "power to limit discovery to the segregated issues." *Ellingson Timber Co. v. Great Northern Railway Co.*, 42 F.2d 497, 499 (9th Cir. 1970) (citing *Hayden v. Chalfant Press, Inc.*, 281 F.2d 543, 544 (9th

Cir. 1960)); *accord Bandai Am. Inc. v. Bally Midway Mfg. Co.*, 775 F.2d 70, 74 (3d Cir. 1985); *Riddle v. Royal Indem. Co.*, No. 05-CV-540, 2007 WL 542389, at *1, fn. 1 (W.D. Ky. Feb. 16, 2007). "One of the purposes of Rule 42(b) is to permit deferral of costly and possibly unnecessary discovery proceedings pending resolution of potential dispositive preliminary issues." *Ellingson Timber Co.*, 42 F.2d at 499.

Bifurcation rests "firmly within the discretion of the trial court," *Vichare v. AM-BAC Inc.*, 106 F.3d 457, 466 (2d Cir. 1996); *Katsaros v. Cody*, 744 F.2d 270, 278 (2d Cir. 1984); *Collins v. Metro Goldwyn Pictures Corp.*, 106 F.2d 83, 85 (2d Cir. 1939), and "is the exception; not the rule." *L-3 Commc'n Corp. v. OSI Sys., Inc.*, 418 F. Supp. 380, 382 (S.D.N.Y. 2005) (citing *Bowers v. Navistar Int'l Transp.*, No. 88-CV-8857, 1993 WL 159965, at *5 (S.D.N.Y. May 10, 1993)). In deciding whether to bifurcate, courts analyze the following factors: (1) convenience; (2) judicial economy; (4) expedience; and (5) prejudice. *See Amato v. City of Saratoga Springs*, 170 F.3d 311, 316 (2d Cir. 1999); *Devito v. Barrant*, No. 03-CV-1927, 2005 WL 2033722, at *11 (E.D.N.Y. Aug. 23, 2005); *see also Slater Elec. v. Indian Head, Inc.*, No. 81-CV-6101, 1983 WL 52356, at *2 (S.D.N.Y. Oct. 24, 1983); *Croce v. Kurnit*, No. 78-CV-3340, 1982 WL 173607, at *3 (S.D.N.Y. May 21, 1982); *Reading Indus., Inc. v. Kennecott Copper Corp.*, 61 F.R.D. 662, 664 (S.D.N.Y. 1974).

Since Defendant's motion also seeks relief which would be tantamount to a stay of discovery on damages pending the issue of liability, I am also analyzing the motion under the good cause standard used to stay discovery. Several factors must be considered to determine whether good cause exists to stay discovery, including (1) the breadth of the discovery sought; (2) the burden of responding to it; and (3) the prejudice that would be suffered by the party opposing the stay. *See Chesney v. Valley Stream Union Free School Dist., No. 24*, 236 F.R.D. 113, 116 (E.D.N.Y. 2006).

Where a discovery stay is sought pending a dispositive motion, another consideration which may be evaluated is the strength of the motion and likelihood of whether the case could be dismissed based upon the merits of the motion. *See, e.g., Spencer Trask Software amd Info. Servs, LLC v. RPOST Int'l Ltd.*, 206 F.R.D. 367, 368 (S.D.N.Y. 2002).

IV. Discussion

Defendant argues that discovery in this case should be bifurcated between liability and damages because "there is considerable likelihood that this case will be dismissed on the issue of liability" and Defendant will suffer prejudice if its "sales, profits, capital and the like, all of which would help plaintiff assess defendant's competitive capabilities" is disclosed in discovery notwithstanding the implementation of a Stipulation and Protective Order submitted by the parties on May 30, 2007 and "so ordered" by the Court on May 31, 2007. [DE 37] Additionally, I note that in its motion, Defendant states that it "will be seeking discovery of plaintiff's sales history for its products" and adds that "[w]hile plaintiff may be willing to open its books, it is still burdensome for defendant to go through obtaining and analyzing plaintiff's sales of several hundred products over a ten-year period." [DE 44] Defendant further argues that it should not be burdened with the substantial expense associated with damages discovery "where liability might easily be disposed of on summary judgment." *Id.*

In opposition, Plaintiff argues that the Court should refrain from invoking the "rare exception" and "highly unusual step of ordering bifurcation" because it is based "on its lawyer's prediction regarding who will win." [DE 46] Plaintiff also argues that convenience and economy are best served by not bifurcating discovery because Plaintiff should not be required to undergo the time and expense of two separate actions. *Id.*

I find that Defendant has not met its burden in demonstrating why discovery in this matter should be bifurcated into liability and damages phases. Defendant's argument that it will suffer prejudice in the form of litigation costs by engaging in discovery on the damages issue is premature since it is an outcome determinative argument premised largely on speculation at this juncture. While the Second Circuit has recognized that prejudice includes incurring litigation costs, *see e.g., LeSane v. Hall's Sec. Analyst, Inc.*, 239 F.3d 206, 210 (2d Cir. 2001); *Peart v. City of New York*, 992 F.2d 458, 462 (2d Cir. 1993), a review of the cases concerning copyright infringement of photographs demonstrates that "there is no uniform test to determine the copyrightability of photographs," thus making liability in this matter far from clear. *SHL Imaging, Inc. v. Artisan House, Inc.*, 117 F. Supp. 2d 301, 309 (S.D.N.Y. 2000) (citing *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 60 (1884) (considering pose, selection and arrangement of costumes, draperies and other accessories, lighting and shading); *Rogers v. Koons*, 960 F.2d 301, 307 (2d Cir.1992) (emphasizing photographer's "inventive efforts" in posing couple holding improbably numerous puppies between them, and photographic printing); *Gross v. Seligman*, 212 F. 930, 931 (2d Cir.1914) (considering pose, background, light, and shade); *Eastern Am. Trio Prods., Inc. v. Tang Elec. Corp.*, 97 F.Supp.2d 395, 417-18 (S.D.N.Y.2000) (considering "lay-out", angles, lighting, and computer enhancements); *Kisch v. Ammirati & Puris*, 657 F.Supp. 380, 382 (S.D.N.Y.1987) (considering selection of lighting, shading, positioning, and timing)).

Since evaluating the question whether prejudice exists on this issue largely rests upon an assessment of liability (which is also unclear at this point given the nature of this case), I find that Defendant has not demonstrated it will suffer prejudice absent an order of bifurcation. This lack of prejudice is further evident given Defendant's statement that "it will be seeking discovery of plaintiff's sales history for its products" and "[w]hile plaintiff may be willing to open its books, it is still burdensome for defendant to go through obtaining and analyzing plaintiff's sales of several hundred products over a ten-year period." [DE 44] Discovery is a two-way street. *See, generally, R.R. Salvage of Connecticut, Inc. v. Japan Freight Consol., Inc.*, 97 F.R.D. 37, 41 (E.D.N.Y. 1983); *see also United States v. Fratello*, 44 F.R.D. 444, 447 (S.D.N.Y. 1968) (recognizing "the 'two way street' notion of discovery as applied in civil cases"). Therefore, if Defendant seeks Plaintiff's corporate books and records, it is only fair that Defendant also be required to make its books and records available absent a compelling reason to the contrary. To rule otherwise would severely prejudice Plaintiff's ability to prosecute this action.

Additionally, I find Defendant's arguments that bifurcation is necessary to protect its confidential business information equally unpersuasive. The parties already have in place a Stipulation and Order of Confidentiality which designates certain materials both "Confidential" and for "Attorneys' Eyes Only." [DE 37] With this Order in place, the parties are afforded a measure of protection that confidential information will not be divulged. If further protection beyond this Order is necessary, the proper remedy is to seek a protective order pursuant to Fed. R. Civ. P. 26, not an order of bifurcation. Further, the goals of judicial economy and expediency would best be served by conducting discovery on liability and damages at the same time. *See Amato*,170 F.3d at 316. Engaging in discovery on both the liability and damages issue on a consolidated basis will allow the parties as well as the Court to avoid duplication. This ruling ensures that witnesses will not have to be recalled at a later date to give testimony and will avoid duplicative discovery scheduling by the parties and the Court.

Alternatively, Defendant has not established that good cause exists warranting a stay of discovery on the issue of damages. As noted previously, Defendant has not adequately demonstrated it will suffer any prejudice. Likewise, the breadth and burden of responding to discovery in this matter is not so insurmountable as to warrant a stay. *See Chesney*, 236 F.R.D. at 116.

V. CONCLUSION

Accordingly, Defendant's motion is DENIED. I find that Defendant has not established entitlement to an order bifurcating discovery nor that good cause exists to warrant a stay of discovery on damages.

SO ORDERED.

Dated: Central Islip, New York
August 28, 2007

/s/ A. Kathleen Tomlinson
A. KATHLEEN TOMLINSON
U.S. Magistrate Judge